

**PRELIMINARY  
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**CITY OF HORTON, KANSAS**  
**Financial Statements**  
**For the Year Ended December 31, 2014**

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CITY OF HORTON, KANSAS  
Financial Statements  
For the Year Ended December 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
City of Horton, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the municipal financial reporting entity of the City of Horton, Kansas, (the City), as of and for the year ended December 31, 2014 and the related notes to the financial statement.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the City to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

### *Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget, summary of regulatory basis receipts and disbursements-agency funds, the schedule of regulatory basis receipts, expenditures, and unencumbered cash-private purpose trust funds, and the schedule of regulatory basis receipts and expenditures-related municipal entity (Schedules 1, 2, 3, 4, and 5 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

### *Other Matter*

The 2013 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2014 basic financial statement upon which we rendered an unmodified opinion dated November 12, 2014. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link: <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basis financial statements. The 2013 comparative information was subjected to auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statements or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly presented in all material respects in relation to the 2013 basic financial statements as a whole, on the basis of accounting described in Note 1.

*Mike Houser & Company PA*

Certified Public Accountants

July 20, 2015  
Lawrence, KS

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CITY OF HORTON, KANSAS  
Summary Statement of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2014

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Restatement</u>	<u>Unencumbered Cash Balance Restated</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Funds:								
General Fund	\$ 196,158	\$ -	\$ 196,158	\$ 1,196,681	\$ 1,358,191	\$ 34,648	\$ [127]	\$ 34,521
Special Purpose Funds:								
Industrial Fund	10,764	-	10,764	159	3,360	7,563	-	7,563
Special Highway Fund	94,224	-	94,224	45,602	7,851	131,975	-	131,975
Equipment Reserve Fund	14,385	-	14,385	2,000	-	16,385	-	16,385
Public Building Reserve Fund	909	-	909	800	-	1,709	-	1,709
State Grant Fund	[692,924]	-	[692,924]	3,853,456	557,229	2,603,303	-	2,603,303
Court Diversion Fund	4,133	-	4,133	2,500	-	6,633	-	6,633
Energy Efficiency Fund	[127]	-	[127]	715	552	36	-	36
911 Wireless Fund	2,479	-	2,479	3,814	5,000	1,293	-	1,293
Reinvent Horton	-	-	-	50,159	7,460	42,699	-	42,699
Bond and Interest Fund:								
Bond and Interest Fund	1,225	-	1,225	15,437	18,684	[2,022]	-	[2,022]
Business Funds:								
Water Fund	402,969	-	402,969	398,480	420,712	380,737	25	380,762
Sewer Fund	103,346	-	103,346	275,266	307,467	71,145	8	71,153
Electric Fund	1,453,050	-	1,453,050	1,432,462	1,316,176	1,569,336	17	1,569,353
Solid Waste Fund	9,633	-	9,633	104,749	99,336	15,046	-	15,046
Private-Purpose Trust Funds	14,573	-	14,573	996	2,286	13,283	-	13,283
Total Primary Government	1,614,797	-	1,614,797	7,383,276	4,104,304	4,893,769	[77]	4,893,692
Related Municipal Entity:								
Horton Free Public Library	101,315	-	101,315	96,347	132,556	65,106	-	65,106
Total Reporting Entity (Excluding Agency Funds)	\$ 1,716,112	\$ -	\$ 1,716,112	\$ 7,479,623	\$ 4,236,860	\$ 4,958,875	\$ [77]	\$ 4,958,798

COMPOSITION OF CASH:

Horton National Bank:	
Checking	\$ 4,466,512
Certificates of Deposit	2,428
Savings	1,403
Union State Bank:	
Certificates of Deposit	100,000
Reinvent Horton	42,699
Savings - Library	44,805
Pony Express Community Bank:	
Checking	44,830
Certificates of Deposit	200,000
State of Kansas Municipal Investment Pool	26,618
Horton National Bank - Library:	
Checking	13,499
Savings	6,802
Total Cash	4,949,596
Less: Agency Funds	9,202
Total (Excluding Agency Funds)	\$ 4,958,798

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2014

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NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Horton (the City) is a municipal corporation governed by an elected five member commission. These financial statements present only the primary government of the City (the primary government) and its related municipal entities. The related municipal entity is included in the city's reporting entity because they were established to benefit the city and its constituents. The Horton Housing Authority is a related municipal entity not included in this report.

The Horton Free Public Library (Library) serves the citizens within the City's jurisdiction. Acquisition or disposition of real property by the Library must be approved by the City. Bond issues must be approved by the City. The Library has a December 31st year end.

*Related Municipal Entity not included:*

The Housing Authority of the City of Horton (Housing Authority) operates the City's housing projects. The Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. The Housing Authority has a March 31st year end. Financial statements for the Housing Authority may be obtained at the Housing Authority of the City of Horton, 1701 Euclid Avenue, Horton, Kansas.

Basis of Accounting

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Regulatory Basis Fund Types

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City for the year ended December 31, 2014:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.



CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2014

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NOTE 1 - Summary of Significant Accounting Policies (Continued)

Business Fund - funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.).

Trust Fund – funds used to report assets held in trust for the benefit of the City (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the City)

Agency Fund – funds used to report assets held by the city in a purely custodial capacity (payroll clearing fund)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budget for the year ended December 31, 2014 was not amended.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for the following special purpose funds: State Grant, Energy Efficiency, and the Reinvent Horton Funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2014

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NOTE 2 – Deposits

*Deposits.* K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

*Investments.* K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. The rating of the City's investments is noted below.

At December 31, 2014, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>	
		<u>Less than 1 year</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ 26,618	\$ 26,618	S&P AAAf/S1+

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

*Custodial credit risk – deposits.* Custodial credit is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State Statutes require the City deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods and all deposits were adequately secured at December 31, 2014.

At December 31, 2014, the City's carrying amount of deposits was \$4,884,490 and the bank balance was \$4,895,268. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$637,454 was covered by federal depository insurance and the balance of \$4,257,814 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2014, the Library's carrying amount of deposits was \$65,106 and the bank balance was \$69,679. The bank balance was held by one bank resulting in a concentration of credit risk. All of the Library's bank balance was covered by federal depository insurance.

*Custodial credit risk – investment.* For an investment, this is the risk that, in event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investment to be adequately secured.

The City does not have any formal investment policies that would further limit concentration of credit risk, interest rate, or custodial credit risks beyond state statutes.

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2014

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NOTE 3 – Defined Benefit Pension Plan (Continued)

Plan Description - The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERS (611 South Kansas Avenue, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

NOTE 4 - Compensated Absences

The City allows certain employees to carryover some of their unused vacation days from one year to the next. These are paid upon termination or retirement if not used. The amount of vacation pay available for use at December 31, 2014, is \$25,406.

NOTE 5 - Related Party Transactions

The City paid \$22,460 to a company owned by a city commissioner for fuel and supplies. The city also paid \$84 to a repair shop owned by a member of the city commission.

NOTE 6 – Lease Agreement

The City, the lessor, entered into a lease agreement with Tri-County Manor Living Center, Inc. on May 1, 2007 for the lease of the manor facility. The lease termination date is March 1, 2023 and requires monthly lease payments of \$1,400 beginning on May 1, 2008 and continuing thereafter until the aggregate amount paid totals \$250,000. Tri-County Manor Living Center, Inc. has the option to purchase the facility upon payment in full of the lease payments totaling \$250,000.

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2014

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NOTE 7 - Long-Term Debt

Following is a detailed listing of the City's long term debt:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Paid by Taxes:					
2010 Fire Truck General Obligation	3/25/2010	3/25/2020	4.00%	\$ 151,400	\$ 97,900
Paid by Utility Fees:					
2005-A Improvements	5/3/2005	12/1/2020	3.00 to 4.25%	300,000	140,000
2009 Electric Utility System Revenue Bond	10/22/2009	10/1/2022	2.25-4.20%	1,620,000	1,060,000
2011 Public Water Supply General Obligation	6/28/2011	6/28/2051	3.25%	4,123,000	3,299,333
2013 Sewer Improvements General Obligation	9/27/2013	7/27/2053	2.13%	2,955,000	2,907,390
Total				<u>\$ 9,149,400</u>	<u>\$ 7,504,623</u>

Current maturities of long-term debt and interest for the next five years and in five year increments are as follows:

<u>Paid by Taxes</u>		
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 14,800	\$ 3,916
2016	15,300	3,333
2017	16,000	2,712
2018	16,600	2,072
2019	17,300	1,408
2020	<u>17,900</u>	<u>718</u>
Total	<u>\$ 97,900</u>	<u>\$ 14,159</u>

<u>Paid by Utility fees</u>		
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 225,476	\$ 218,440
2016	273,357	211,839
2017	236,321	200,626
2018	114,368	193,079
2019	117,503	189,945
2020-2024	1,427,753	802,652
2025-2029	730,722	641,714
2030-2034	837,856	534,578
2035-2039	961,401	411,034
2040-2044	1,103,957	268,477
2045-2049	958,891	108,461
2050-2053	<u>419,118</u>	<u>22,500</u>
Total	<u>\$ 7,406,723</u>	<u>\$ 3,803,345</u>

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2014

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NOTE 7 - Long-Term Debt (Continued)

Following is a summary of changes in long-term debt for the year ended December 31, 2014:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Revenue Bonds	\$ 1,180,000	\$ -	\$ 120,000	\$ 1,060,000
Temporary Notes	-	3,375,000	-	3,375,000
General Obligation Bonds	6,581,498	-	136,875	6,444,623
Capital Leases	<u>45,404</u>	<u>-</u>	<u>45,404</u>	<u>-</u>
Total	<u>\$ 7,806,902</u>	<u>\$ 3,375,000</u>	<u>\$ 302,279</u>	<u>\$ 10,879,623</u>

The City issued \$3,375,000 in Series 2014-1 General Obligation Temporary Notes on February 18, 2014. The interest rate on the notes is 1.15% and the final maturity date is June 1, 2015.

NOTE 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of loss with the exception of loss from damage to or destruction of the electrical distribution system, including related lost regulatory receipts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

NOTE 9 - Interfund Transfers

A reconciliation of operating transfers by fund type for 2014 follows:

<u>Fund</u>	<u>To</u>	<u>From</u>	<u>Regulatory Authority</u>
General	\$ 52,500	\$ 2,800	K.S.A. 12-825d
Equipment Reserve	2,000	-	K.S.A. 12-1,117
Public Building Reserve	800	-	K.S.A. 12-1-117
Water	-	4,167	K.S.A. 12-825d
Electric	<u>-</u>	<u>48,333</u>	K.S.A. 12-825d
Total	<u>\$ 55,300</u>	<u>\$ 55,300</u>	

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2014

NOTE 10 - Revenue Bond Requirements

The City's electric revenue bond covenants require certain reservations and rate coverage. The reserved portions are as follows:

Reserved for revenue bond principal and interest	\$ 2,068
Reserved for depreciation and repair	<u>160,000</u>
Total reservation as required by bond covenants	<u>\$ 162,068</u>

Rate coverage met bond covenant requirements.

NOTE 11 - Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 12 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the City as of December 31, 2014.

NOTE 13 - Statutory Violation

Unencumbered cash was negative in the Bond and Interest Fund, which is a violation of K.S.A. 10-1113.

CITY OF HORTON, KANSAS  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2014

PRELIMINARY  
 DRAFT

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Positive [Negative]</u>
General Funds:					
General Fund	\$ 1,480,681	\$ -	\$ 1,480,681	\$ 1,358,191	\$ 122,490
Special Purpose Funds:					
Industrial	3,500	-	3,500	3,360	140
Special Highway	47,441	-	47,441	7,851	39,590
Equipment Reserve	20,000	-	20,000	-	20,000
Public Building Reserve	7,000	-	7,000	-	7,000
Court Diversion	2,000	-	2,000	-	2,000
911 Wireless Fund	5,000	-	5,000	5,000	-
Bond and Interest Fund:					
Bond and Interest Fund	18,842	-	18,842	18,684	158
Enterprise Funds:					
Water	514,432	-	514,432	420,712	93,720
Sewer	331,787	-	331,787	307,467	24,320
Electric	2,412,745	-	2,412,745	1,316,176	1,096,569
Solid Waste	109,000	-	109,000	99,336	9,664

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
General Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 794,218	\$ 801,787	\$ 837,257	\$ [35,470]
Intergovernmental	19,702	19,716	19,720	[4]
Franchise tax	43,960	46,109	45,000	1,109
Licenses	2,720	1,956	1,500	456
Fines and fees	64,675	75,955	71,800	4,155
Interest	7,113	7,547	11,000	[3,453]
Use of property	37,728	34,258	36,300	[2,042]
Charges for services	73,690	58,930	75,690	[16,760]
Grants	2,936	2,936	-	2,936
Transfer in	315,000	52,500	320,000	[267,500]
Miscellaneous	23,290	94,987	11,500	83,487
Total Receipts	<u>1,385,032</u>	<u>1,196,681</u>	<u>\$ 1,429,767</u>	<u>\$ [233,086]</u>
Expenditures				
General Government				
Personnel	69,003	74,977	\$ 65,362	\$ [9,615]
Contractual services	62,442	52,901	59,160	6,259
Commodities	21,498	26,297	40,270	13,973
Capital outlay	3,000	35,283	5,100	[30,183]
Debt service	-	-	6,330	6,330
Miscellaneous	3,254	37,930	-	[37,930]
Law Enforcement				
Personnel	198,605	187,295	214,037	26,742
Contractual services	15,622	20,497	12,133	[8,364]
Commodities	33,560	37,199	37,236	37
Debt service	-	-	5,335	5,335
Capital outlay	8,900	761	9,478	8,717
Parks and Recreation				
Personnel	2,209	5,801	14,329	8,528
Contractual services	19,779	21,339	16,204	[5,135]
Commodities	12,488	18,950	18,885	[65]
Capital outlay	26,142	4,796	13,464	8,668
Streets				
Personnel	114,074	124,839	116,895	[7,944]
Contractual services	25,059	33,151	24,174	[8,977]
Commodities	49,781	83,768	94,860	11,092
Capital outlay	30,176	40,800	40,800	-
Debt service	-	-	3,903	3,903
Library				
Contractual services	43,600	45,600	50,800	5,200
Capital outlay	4,400	5,200	-	[5,200]

See independent auditor's report on the financial statements.



CITY OF HORTON, KANSAS  
General Fund (Continued)  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cemetery	\$ 10,961	\$ 12,487	\$ 15,700	\$ 3,213
Airport	2,339	2,552	2,300	[252]
Firing Range				
Contractual services	211	731	2,500	1,769
Commodities	4,858	1,224	-	[1,224]
Pool				
Personnel	36,293	-	39,026	39,026
Contractual services	3,573	1,202	10,200	8,998
Commodities	4,182	7,638	18,972	11,334
Capital outlay	-	9,643	12,000	2,357
Communications				
Personnel	135,011	136,269	144,120	7,851
Contractual services	11,276	12,286	15,149	2,863
Commodities	12,716	11,119	12,430	1,311
Capital outlay	-	1,111	-	[1,111]
Court				
Personnel	14,217	19,772	27,527	7,755
Contractual services	20,297	27,338	13,500	[13,838]
Commodities	14,088	15,569	19,100	3,531
Fire Department				
Personnel	9,435	12,935	43,084	30,149
Contractual services	8,179	11,632	-	[11,632]
Commodities	2,810	9,886	-	[9,886]
Capital outlay	-	761	-	[761]
Fire Insurance Proceeds				
Contractual services	5,251	-	-	-
Community Building				
Contractual services	2,225	2,787	7,500	4,713
Commodities	2,773	2,443	-	[2,443]
Capital outlay	419	761	-	[761]
Community Services				
Personnel	35,669	42,284	42,284	-
Contractual services	1,570	437	1,122	685
Commodities	3,244	820	6,120	5,300
Armory Building				
Contractual services	38,806	10,945	13,300	2,355
Employee benefits	140,815	123,202	161,187	37,985
Building demolition	28,190	2,193	10,000	7,807
Transfer out	2,800	2,800	10,000	7,200
Miscellaneous	-	-	4,805	4,805
Debt service	20,146	17,980	-	[17,980]
Total Expenditures	1,315,946	1,358,191	\$ 1,480,681	\$ 122,490
Receipts Over [Under] Expenditures	69,086	[161,510]		
Unencumbered Cash, Beginning	127,072	196,158		
Unencumbered Cash, Ending	\$ 196,158	\$ 34,648		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
Industrial Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

EXHIBIT  
DRAFT

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Receipts				
Taxes	\$ 549	\$ 159	\$ 105	\$ 54
Total Receipts	<u>549</u>	<u>159</u>	<u>105</u>	<u>54</u>
Expenditures and Transfers Subject to Budget				
Contractual services	<u>3,360</u>	<u>3,360</u>	\$ 3,500	\$ 140
Total Expenditures and Transfers Subject to Budget	<u>3,360</u>	<u>3,360</u>	<u>\$ 3,500</u>	<u>\$ 140</u>
Receipts Over [Under] Expenditures	[2,811]	[3,201]		
Unencumbered Cash, Beginning	<u>13,575</u>	<u>10,764</u>		
Unencumbered Cash, Ending	<u>\$ 10,764</u>	<u>\$ 7,563</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
Special Highway Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Receipts				
Taxes	\$ 44,474	\$ 45,602	\$ 46,370	\$ [768]
Intergovernmental	107,104	-	-	-
Total Receipts	<u>151,578</u>	<u>45,602</u>	<u>\$ 46,370</u>	<u>\$ [768]</u>
Expenditures and Transfers Subject to Budget				
Contractual services	17,251	7,851	\$ 47,441	\$ 39,590
Commodities	<u>128,414</u>	-	-	-
Total Expenditures and Transfers Subject to Budget	<u>145,665</u>	<u>7,851</u>	<u>\$ 47,441</u>	<u>\$ 39,590</u>
Receipts Over [Under] Expenditures	5,913	37,751		
Unencumbered Cash, Beginning	<u>88,311</u>	<u>94,224</u>		
Unencumbered Cash, Ending	<u>\$ 94,224</u>	<u>\$ 131,975</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
Equipment Reserve Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Transfer in	\$ 2,000	\$ 2,000	\$ 7,000	\$ [5,000]
Total Receipts	<u>2,000</u>	<u>2,000</u>	<u>\$ 7,000</u>	<u>\$ [5,000]</u>
Expenditures and Transfers Subject to Budget				
Commodities	-	-	\$ 20,000	\$ 20,000
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Receipts Over [Under] Expenditures	2,000	2,000		
Unencumbered Cash, Beginning	<u>12,385</u>	<u>14,385</u>		
Unencumbered Cash, Ending	<u>\$ 14,385</u>	<u>\$ 16,385</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
Public Building Reserve Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Receipts				
Transfer in	\$ 800	\$ 800	\$ 5,800	\$ [5,000]
Total Receipts	<u>800</u>	<u>800</u>	<u>5,800</u>	<u>[5,000]</u>
Expenditures				
Commodities	-	-	\$ 7,000	\$ 7,000
Capital outlay	<u>2,028</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,028</u>	<u>-</u>	<u>7,000</u>	<u>7,000</u>
Receipts Over [Under] Expenditures	[1,228]	800		
Unencumbered Cash, Beginning	<u>2,137</u>	<u>909</u>		
Unencumbered Cash, Ending	<u>\$ 909</u>	<u>\$ 1,709</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
 State Grant Fund  
 Schedule of Receipts and Expenditures - Actual\*  
 Regulatory Basis  
 For the Year Ended December 31, 2014 and 2013

STANDARD  
 DRAFT

	Year Ended December 31,	
	<u>2013</u>	<u>2014</u>
Receipts		
Grants	\$ 269,926	\$ 451,000
Repayment of loans	22,898	27,456
Bond proceeds	<u>2,955,000</u>	<u>3,375,000</u>
Total Receipts	<u>3,247,824</u>	<u>3,853,456</u>
Expenditures and Transfers		
Contractual	2,882,595	472,485
Commodities	22,958	38,805
Bond payment	3,070,227	45,939
Capital outlay	<u>9,925</u>	<u>-</u>
Total Expenditures and Transfers	<u>5,985,705</u>	<u>557,229</u>
Receipts Over [Under] Expenditures	[2,737,881]	3,296,227
Unencumbered Cash, Beginning	<u>2,044,957</u>	<u>[692,924]</u>
Unencumbered Cash, Ending	<u>\$ [692,924]</u>	<u>\$ 2,603,303</u>

\* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS  
 Court Diversion Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2014  
 (With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Receipts				
Charges for services	\$ 2,615	\$ 2,500	\$ 2,000	\$ 500
Total Receipts	<u>2,615</u>	<u>2,500</u>	<u>2,000</u>	<u>500</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	1,544	-	\$ 2,000	\$ 2,000
Total Expenditures and Transfers Subject to Budget	<u>1,544</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Receipts Over [Under] Expenditures	1,071	2,500		
Unencumbered Cash, Beginning	<u>3,062</u>	<u>4,133</u>		
Unencumbered Cash, Ending	<u>\$ 4,133</u>	<u>\$ 6,633</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
 Energy Efficiency Fund  
 Schedule of Receipts and Expenditures - Actual\*  
 Regulatory Basis  
 For the Year Ended December 31, 2014 and 2013

PRELIMINARY  
DRAFT

	Year Ended December 31,	
	<u>2013</u>	<u>2014</u>
Receipts		
Grants	\$ 2,585	\$ 715
Total Receipts	<u>2,585</u>	<u>715</u>
Expenditures and Transfers		
Contractual	275	552
Commodities	<u>2,437</u>	<u>-</u>
Total Expenditures and Transfers	<u>2,712</u>	<u>552</u>
Receipts Over [Under] Expenditures	[127]	163
Unencumbered Cash, Beginning	<u>-</u>	<u>[127]</u>
Unencumbered Cash, Ending	<u>\$ [127]</u>	<u>\$ 36</u>

\* This fund is not required to be budgeted.



CITY OF HORTON, KANSAS  
 911 Wireless Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2014  
 (With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Receipts				
911 Fees	\$ 3,987	\$ 3,814	\$ 4,000	\$ [186]
Total Receipts	<u>3,987</u>	<u>3,814</u>	<u>\$ 4,000</u>	<u>\$ [186]</u>
Expenditures and Transfers Subject to Budget				
Contractual	5,276	5,000	\$ 5,000	\$ -
Commodities	<u>64</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>5,340</u>	<u>5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	[1,353]	[1,186]		
Unencumbered Cash, Beginning	<u>3,832</u>	<u>2,479</u>		
Unencumbered Cash, Ending	<u>\$ 2,479</u>	<u>\$ 1,293</u>		

See independent auditor's report on the financial statements.

EXHIBITARY  
DRAFT

CITY OF HORTON, KANSAS  
Reinvent Horton Fund  
Schedule of Receipts and Expenditures - Actual\*  
Regulatory Basis  
For the Year Ended December 31, 2014

Receipts	
Charges for services	\$ 50,159
Total Receipts	<u>50,159</u>
Expenditures and Transfers Subject to Budget	
Commodities	<u>7,460</u>
Total Expenditures and Transfers Subject to Budget	<u>7,460</u>
Receipts Over [Under] Expenditures	42,699
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 42,699</u>

\* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS  
 Bond and Interest Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2014  
 (With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 19,349	\$ 15,437	\$ 16,750	\$ [1,313]
Total Receipts	<u>19,349</u>	<u>15,437</u>	<u>\$ 16,750</u>	<u>\$ [1,313]</u>
Expenditures and Transfers Subject to Budget				
Principal	13,600	14,200	\$ 14,200	\$ -
Interest	5,028	4,484	4,484	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>158</u>	<u>158</u>
Total Expenditures and Transfers Subject to Budget	<u>18,628</u>	<u>18,684</u>	<u>\$ 18,842</u>	<u>\$ 158</u>
Receipts Over [Under] Expenditures	721	[3,247]		
Unencumbered Cash, Beginning	<u>504</u>	<u>1,225</u>		
Unencumbered Cash, Ending	<u>\$ 1,225</u>	<u>\$ [2,022]</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
Water Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services	\$ 427,398	\$ 397,119	\$ 440,000	\$ [42,881]
Miscellaneous	41,256	1,361	-	1,361
Total Receipts	<u>468,654</u>	<u>398,480</u>	<u>\$ 440,000</u>	<u>\$ [41,520]</u>
Expenditures and Transfers Subject to Budget				
Personnel	157,361	164,601	\$ 168,672	\$ 4,071
Contractual	58,280	50,384	42,840	[7,544]
Commodities	33,092	33,706	65,401	31,695
Capital outlay	41,572	3,771	26,868	23,097
Debt service	164,082	164,083	185,651	21,568
Transfer out	25,000	4,167	25,000	20,833
Total Expenditures and Transfers Subject to Budget	<u>479,387</u>	<u>420,712</u>	<u>\$ 514,432</u>	<u>\$ 93,720</u>
Receipts Over [Under] Expenditures	[10,733]	[22,232]		
Unencumbered Cash, Beginning	<u>413,702</u>	<u>402,969</u>		
Unencumbered Cash, Ending	<u>\$ 402,969</u>	<u>\$ 380,737</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
Sewer Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

2014  
DRAFT

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services	\$ 224,781	\$ 275,135	\$ 241,710	\$ 33,425
Miscellaneous	1,572	131	-	131
Total Receipts	<u>226,353</u>	<u>275,266</u>	<u>\$ 241,710</u>	<u>\$ 33,556</u>
Expenditures and Transfers Subject to Budget				
Personnel	104,893	98,949	\$ 105,863	\$ 6,914
Contractual	30,946	38,273	30,666	[7,607]
Commodities	7,598	17,606	27,549	9,943
Capital outlay	817	3,800	18,870	15,070
Debt service	43,344	148,839	148,839	-
Total Expenditures and Transfers Subject to Budget	<u>187,598</u>	<u>307,467</u>	<u>\$ 331,787</u>	<u>\$ 24,320</u>
Receipts Over [Under] Expenditures	38,755	[32,201]		
Unencumbered Cash, Beginning	<u>64,591</u>	<u>103,346</u>		
Unencumbered Cash, Ending	<u>\$ 103,346</u>	<u>\$ 71,145</u>		

CITY OF HORTON, KANSAS  
Electric Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services	\$ 1,460,655	\$ 1,432,452	\$ 1,800,000	\$ [367,548]
Grants	10	10	-	10
Total Receipts	<u>1,460,665</u>	<u>1,432,462</u>	<u>\$ 1,800,000</u>	<u>\$ [367,538]</u>
Expenditures and Transfers Subject to Budget				
Personnel	151,563	146,140	\$ 153,672	\$ 7,532
Contractual	70,433	96,822	95,172	[1,650]
Commodities	738,878	736,159	1,682,767	946,608
Capital outlay	5,412	98,501	-	[98,501]
Transfer out	290,000	48,333	290,000	241,667
Debt service	189,067	190,221	191,134	913
Total Expenditures and Transfers Subject to Budget	<u>1,445,353</u>	<u>1,316,176</u>	<u>\$ 2,412,745</u>	<u>\$ 1,096,569</u>
Receipts Over [Under] Expenditures	15,312	116,286		
Unencumbered Cash, Beginning	<u>1,437,738</u>	<u>1,453,050</u>		
Unencumbered Cash, Ending	<u>\$ 1,453,050</u>	<u>\$ 1,569,336</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
Solid Waste Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2014  
(With Comparative Actual Amounts For the Year Ended December 31, 2013)

PRELIMINARY  
DRAFT

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services	\$ 105,330	\$ 104,749	\$ 106,000	\$ [1,251]
Total Receipts	<u>105,330</u>	<u>104,749</u>	<u>\$ 106,000</u>	<u>\$ [1,251]</u>
Expenditures and Transfers Subject to Budget				
Contractual	100,886	99,336	\$ 104,000	\$ 4,664
Transfer out	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total Expenditures and Transfers Subject to Budget	<u>100,886</u>	<u>99,336</u>	<u>\$ 109,000</u>	<u>\$ 9,664</u>
Receipts Over [Under] Expenditures	4,444	5,413		
Unencumbered Cash, Beginning	<u>5,189</u>	<u>9,633</u>		
Unencumbered Cash, Ending	<u>\$ 9,633</u>	<u>\$ 15,046</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
 Agency Funds  
 Summary of Receipts and Disbursements  
 Regulatory Basis  
 For the Year Ended December 31, 2014

PRELIMINARY  
 DRAFT

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
Payroll Clearing	\$ [12,645]	\$ 7,303	\$ 3,860	\$ [9,202]
Total Agency Funds	<u>\$ [12,645]</u>	<u>\$ 7,303</u>	<u>\$ 3,860</u>	<u>\$ [9,202]</u>

See independent auditor's report on the financial statements.



CITY OF HORTON, KANSAS  
Private-Purpose Trust Funds  
Schedule of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2014

PRELIMINARY  
DRAFT

<u>FUNDS</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Prior Year</u> <u>Restatement</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash Balance</u> <u>(Restated)</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Outstanding</u> <u>Encumbrances</u> <u>and Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash</u> <u>Balance</u>
Schneider Poor	\$ 2,428	\$ -	\$ 2,428	\$ -	\$ -	\$ 2,428	\$ -	\$ 2,428
Heart of Horton	26	-	26	989	-	1,015	-	1,015
Restricted Donation (Cemetery Trees)	10,723	-	10,723	-	2,286	8,437	-	8,437
Cemetery Memorial	1,396	-	1,396	7	-	1,403	-	1,403
Total Private-Purpose Trust Fund	<u>\$ 14,573</u>	<u>\$ -</u>	<u>\$ 14,573</u>	<u>\$ 996</u>	<u>\$ 2,286</u>	<u>\$ 13,283</u>	<u>\$ -</u>	<u>\$ 13,283</u>

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS  
Horton Free Public Library - Related Municipal Entity  
Schedule of Receipts and Expenditures - Actual\*  
Regulatory Basis  
For the Year Ended December 31, 2014

PRELIMINARY  
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Receipts	
State of Kansas	\$ 4,909
NEKL Association	14,785
City appropriation	50,800
Interest	201
Fines and fees	1,799
Donations	22,863
Miscellaneous	<u>990</u>
Total Receipts	<u>96,347</u>
Expenditures	
Personal service	54,525
Contractual	8,124
Capital outlay	47,892
Commodities	<u>22,015</u>
Total Expenditures	<u>132,556</u>
Receipts Over [Under] Expenditures	[36,209]
Unencumbered Cash, Beginning	<u>101,315</u>
Unencumbered Cash, Ending	<u>\$ 65,106</u>

\* This fund is not required to be budgeted.

## CITY OF HORTON, KANSAS

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2014PRELIMINARY  
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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Revenues	Expenditures
U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760	\$ 3,826,000	\$ 527,485
Total Expenditures of Federal Awards		\$ 3,826,000	\$ 527,485

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of the City. All expenditures of federal financial assistance received directly from federal agencies, if any, as well as federal financial assistance passed through other government agencies is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the Kansas regulatory basis of accounting which includes accounts payable and encumbrances.

CITY OF HORTON, KANSAS

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2014

PRELIMINARY  
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Section I - Summary of Auditor's Results

Financial Statements

Adverse (GAAP)  
Unmodified (Regulatory Basis)

Type of auditor's report issued:

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency (ies) identified that are not  
considered to be material weaknesses?  X  Yes \_\_\_\_\_ No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency (ies) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Type of auditor's report issued on compliance for major programs:  Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with section 510(a)  
of Circular A-133? \_\_\_\_\_ Yes  X  No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.760

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between  
type A and type B programs:  \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

## CITY OF HORTON, KANSAS

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2014

## Section II - Financial Statement Findings

Current Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>
Not applicable	2014-1	The municipal court receipting function currently lacks a proper separation of duties. The court clerk is also the individual that prepares, reconciles and reviews the outstanding fines and fees list.	Recommend Practices	Not determined	Municipal Court cash receipt procedures should provide for separation between the cash and accounting functions. Specifically, the same person should not be receipting cash, depositing cash into the bank and recording the receipt into the accounting system. We also recommend that the City track all ticket numbers issued to the officers in sequential order. We also recommend that a reconciliation be performed between all tickets issued and the tickets receipted into the accounting system. We recommend that the chief review the status of the tickets issued and review and approve the reconciliation between the ticket log and the receipts recorded into the system.	Agrees
Not applicable	2014-2	The accounting function does not currently reconcile all balance sheet accounts regularly.	Recommend Practices	Not determined	Software training and additional reports should be added to the monthly closing procedures to ensure that all balance sheet accounts are properly reconciled	Agrees

Prior Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Status</u>
Not applicable	2013-1	The municipal court receipting function currently lacks a proper separation of duties. The court clerk is also the individual that prepares, reconciles and reviews the outstanding fines and fees list.	Recommend Practices	Not determined	Municipal Court cash receipt procedures should provide for separation between the cash and accounting functions. Specifically, the same person should not be receipting cash, depositing cash into the bank and recording the receipt into the accounting system. We also recommend that the City track all ticket numbers issued to the officers in sequential order. We also recommend that a reconciliation be performed between all tickets issued and the tickets receipted into the accounting system. We recommend that the chief review the status of the tickets issued and review and approve the reconciliation between the ticket log and the receipts recorded into the system.	Repeated at 2014-1
Not applicable	2013-2	The accounting function does not currently reconcile all balance sheet accounts regularly.	Recommend Practices	Not determined	Software training and additional reports should be added to the monthly closing procedures to ensure that all balance sheet accounts are properly reconciled	Repeated at 2014-2

## Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted

Prior Year Findings

None Noted



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COMPANY P.A.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

Mayor and City Council  
City of Horton, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide, the financial statements of the City of Horton, Kansas (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 20, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs, as Findings 2014-1 and 2014-2, which we consider to be significant deficiencies in internal control over financial reporting.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters that we reported to management of the City in a separate letter dated July 20, 2015

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mike Houser: Company PA*

Certified Public Accountants

July 20, 2015  
Lawrence, KS



MIZE HOUSER  
COMPANY<sup>PA.</sup>

PRELIMINARY  
DRAFT

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Mayor and City Council  
City of Horton, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the City of Horton, Kansas (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal financial programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Kansas Municipal Audit and Accounting Guide. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.



# Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Mike Houser : Company PA*

Certified Public Accountants

July 20, 2015  
Lawrence, KS



MIZE HOUSER  
COMPANY<sup>PA.</sup>

SUPPLEMENTARY  
DRAFT

## AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Mayor and City Council  
City of Horton, Kansas

We have audited the financial statements of the City of Horton, Kansas for the year ended December 31, 2014 and have issued our report thereon dated July 20, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated December 22, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis and budget laws of the State of Kansas. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will communicate our significant findings at the conclusion of the audit. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 21, 2015.

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## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 20, 2015.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Horton, Kansas's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

## Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting policies used by the City as described in Note 1 to the financial statements, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor, city commission and management of the City of Horton, Kansas, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Mike Houser: Company PA*

Certified Public Accountants

July 20, 2015  
Lawrence, KS

EXHIBIT  
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